Department of Defense

National Security Personnel System

NSPS Update

Presented to:

NSPS Senior Leader Workshop

March 24, 2009

Mr. Tim Curry
Executive Director, Labor Management and Employee Relations

Today's Discussion

- NSPS Today
- 2009 Payout Results
- What are We Hearing
- Focus for Senior Leaders
- What's Ahead

NSPS Today

- Over 205,000 employees currently under NSPS
- Training
  - Over 600,000 training instances completed
- Evaluation & external reviews - ongoing
  - Formal program evaluation part of spiral development process
  - External reviews continue (GAO, OPM, etc.)
- 3rd performance appraisal cycle completed
  - ~170K employees were eligible to receive performance-based payouts
  - Rewards based on performance distinctions
- Informing new leadership on NSPS
- Preparing for the OPM/DoD Review

Recent Activity

- March 16, 2009
  - OPM/DoD decision to undertake a thorough review of NSPS
  - DoD will delay any further conversions of organizations into NSPS until at least October 2009, pending the outcome of the review
- March 23, 2009
  - Final NSPS staffing rule takes effect
  - Provides a complete regulatory structure
  - Allows the program review to cover the entire operational system

Implementation Progress

Spiral	Total
1.1	11,874
1.2	71,647
1.3	36,505
2.1	18,675
2.2	53,117
2.3	13,983
2.4	261
Total NSPS	206,062

System Features

NSPS HUMAN RESOURCES SYSTEM	
Classification	■ Jobs in broad “pay bands” based on work nature and competencies (eliminates “GS grades and steps”) ■ Simple and flexible; short, concise job descriptions
Compensation	■ Market-sensitive ■ Annual pay increases and bonuses directly linked to performance
Performance Management	■ Results-oriented, measurable job objectives linked to mission ■ Evaluation using standard, validated performance benchmarks ■ Meaningful distinctions in performance ■ Robust pay pool process to review/validate ratings and pay decisions for consistency, fairness ■ Employee development with ongoing feedback and dialogue
Staffing & Employment	■ Direct hire authority for critical need or shortage occupations ■ Streamlined hiring process ■ Alternative promotion procedures

Culture Change

From …	To …
Rigid classification system based on 15 grade levels	Broad pay bands encompassing wide range of work
Rules-oriented pay system focused on administration	Market-oriented system that enables compensation approach tailored to organizational mission requirements
Inconsistent, often inconsequential rating systems (i.e., 50% of DoD under Pass/Fail system)	Rigorous 5-level rating system designed to make meaningful distinctions in employee performance
Activities-based management	Results-based organization
Automatic pay increases based on passage of time	Pay increases and bonuses based on performance
Administratively challenging processes for assigning/reassigning workforce to meet mission requirements	Enhanced flexibility to shift assignments and workforce to respond to mission

NSPS Workforce Demographics

Army	Navy/Marine Corps	Air Force	DoD 4th Estate	Total
74,920	64,017	40,518	25,378	204,833

United States	U.S. Territories	Foreign Areas	Total
184,983	605	19,245	204,833

Covered (204,833)
- White Collar Non-Bargaining Unit Employees*

* 322 employees are now covered in 16 bargaining units established after conversion to NSPS

Scheduled Coverage
- Approx 3,000 White Collar Non-Bargaining Unit Employees
- Conversions delayed pending review

Not Covered
- White Collar Bargaining Unit Employees (245,400)**
- Wage Grade Employees (Statutorily Excluded) (120,300)
- Others Excluded:
  - Defense Labs (excluded until 2011)
  - Intel
  - Faculty
  - PFPA (Police)
  - SES/SL/ST, HQE

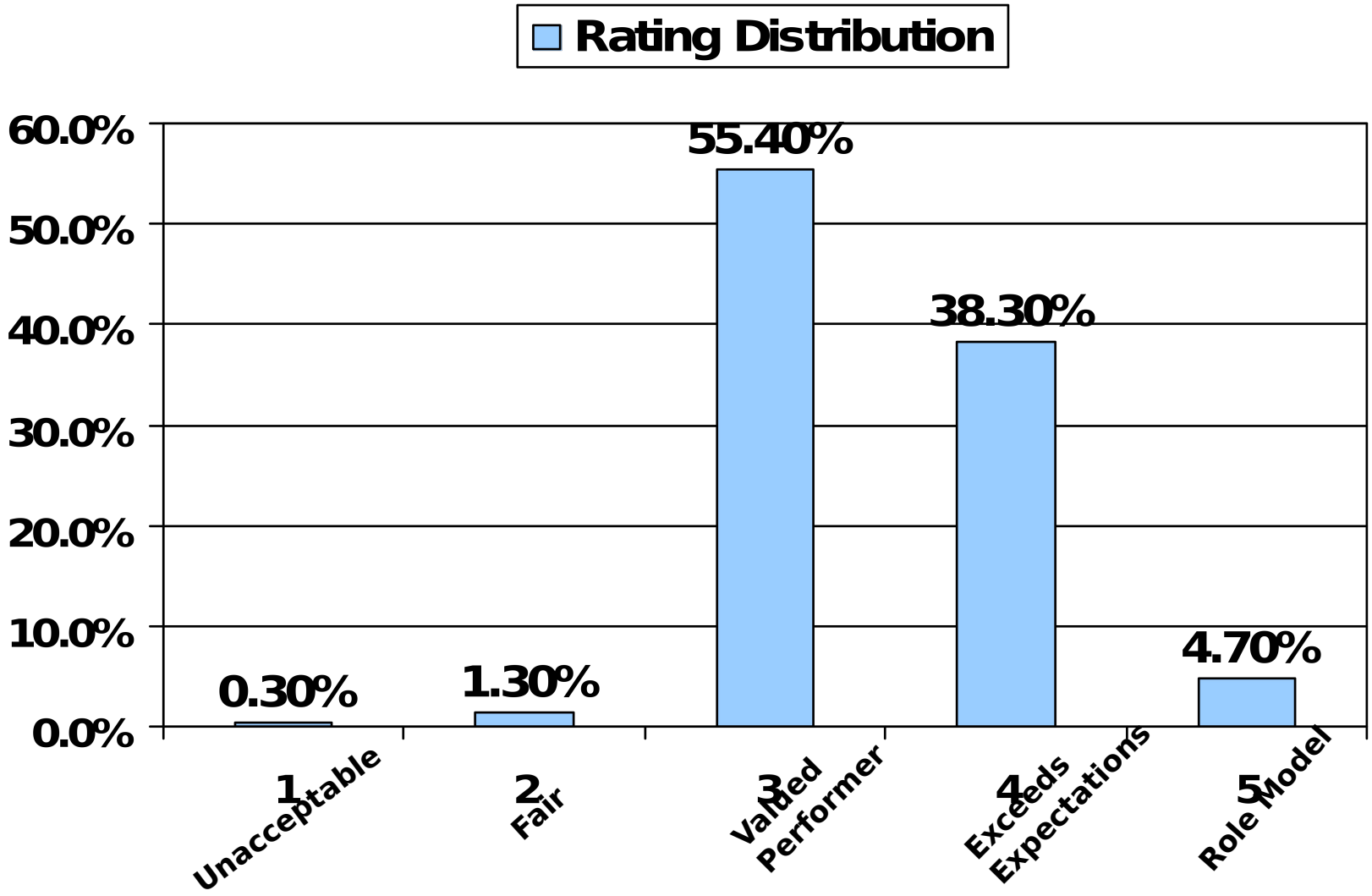
**Eligible, but no plans to convert to NSPS

Key Challenges - Change Management

- Employee concerns and perceptions
  - Uncertainty and skepticism over pay for performance
  - Perception of fairness & transparency in performance management and pay pool process
  - Difficulty in recalibrating expectations
- Managers' and Supervisors' concerns
  - Lack sufficient skills in goal setting, performance measurement & assessment, and communicating with employees
  - Administrative burden associated with robust performance management process

- Typical of major personnel system changes
- Experience with alternative personnel systems indicates it takes 3-5 years for employees to fully understand and accept such changes (as noted by OPM & GAO)
- Addressing concerns via robust training, communication, and transparency – leadership engagement
- NSPS implementation accompanied by unprecedented training effort, focused on performance management skills, particularly for supervisors

January 2009 Payout Results



Data source: Compensation Workbench upload files as of 1/20/09.
Does not include adjustments to ratings based on reconsideration requests.

January 2009 Payout Results

Rating of Record	% of Total Rated (170,149)	Salary Increase				Average Performance Bonus	Total
		General Base Salary Increase	Avg Locality Incr	Avg Performance Salary Incr	Avg Total Salary Incr		
1	0.3%	0.00%	0.0%	0.00%	0.00%	0.00%	0.00%
2	1.3%	1.74%	1.0%	0.00%	2.74%	0.00%	2.74%
3	55.4 %	1.74%	1.0%	2.73%	5.47%	1.36%	6.83%
4	38.3 %	1.74%	1.0%	4.59%	7.33%	2.44%	9.77%
5	4.7%	1.74%	1.0%	6.33%	9.07%	4.09%	13.16 %
Overall	**100 %**	**1.74%**	**1.0%**	**3.67%**	**6.41 %**	**1.94%**	**8.35 %**

Employees rated at Level 1 (Unacceptable) do not receive general base salary or local market supplement increases.
Actual local market increases vary by location.

Positive Changes

- Employees agree they have a better understanding of expected performance
- Meaningful differentiation in performance and rewards
- Better communication between employees and supervisors
- Stronger connection between individual performance and organization’s mission, goals, and objectives
- Pay flexibilities help external recruitment

Employee and Manager Feedback

- Performance
  - Employees struggling with “valued performer” rating
  - Effective job objectives, assessments and evaluations are difficult to write
- Pay Pools
  - Concern with fairness – perceptions
    - ✓ Employee – Pay Pool Manager not my supervisor; doesn’t know what I do; OR, I have a poor supervisor; lack of trust
    - ✓ Rating Official – Pay pool process hard to understand; common understanding of different performance levels
  - Lack of shared understanding within the pay pool panel

DoD Leaders: Keys to Success

- Overall success at the organizational level depends
  on senior leader engagement, commitment, and leadership
- Focus on alignment – job objectives need to reflect the “what” and how it supports the mission
- Commitment and communication
- Make resources available – Train your way to success
- Emphasize accountability at all levels
  - Earn employee trust, buy-in and confidence in the system by being inclusive at all levels
- Engage first-level supervisors
- Own it

What's Ahead for NSPS?

- Inform new leadership on NSPS
- Support the DoD and OPM leadership as they develop the framework and make arrangements to conduct the NSPS review
- Continue to monitor, analyze, and evaluate NSPS implementation; make system adjustments and training enhancements where necessary

Maintain – Sustain – Incrementally Improve

What's Ahead at the Conference?

Focal Points: Communication and Outcomes

- Plenary sessions
  - NSPS Success Stories
  - Jim Kouzes – Credibility is the Foundation
  - Post-payout reviews
  - Staffing flexibilities – optimizing your hiring strategy
- Hands-on Workshops and learning opportunities
  - CWB/PAT
  - Developing an Integrated Compensation Strategy
  - LR/ER in the NSPS Environment

Department of Defense

National Security Personnel System

NSPS Update

Presented to:

NSPS Senior Leader Workshop

March 24, 2009

Mr. Brad Bunn
Program Executive Officer, NSPS

Recent Activity

- March 16, 2009
  - OPM/DoD decision to undertake a thorough review of NSPS
  - DoD will delay any further confuserios of organizations into NSPS until at least October 2009, pending the outcome of the review
- March 23, 2009
  - Final NSPS staffing rule takes effect
  - Provides a complete regulatory structure
  - Allows the program review to cover the entire operational system

Shared Concerns

- Consider full GPI for “Valued Performer” and above
- Address forced distribution
- Ensure DoD-wide consistency in raises
- Provide more employee training on self assessments
- Shorten rating cycle and reduce time burden
- Share recommended ratings
- Address 5 percent reassignment constraint
- Address challenge of operating in multiple systems

In Summary

- NSPS Remains a Key Transformational Initiative
-
- Day-to-day operations will continue for the 205,000 DoD employees in NSPS
- They need leadership
  - Commitment
  - Support
  - Engagement